ANNUAL REPORT/1969

GREAT NORTHERN CAPITAL CORPORATION LIMITED

GNC OPERATIONS

CONTENTS

Registrars and Transfer Agents:
CROWN TRUST COMPANY
Toronto, Montreal, Calgary and Vancouver
THE BANK OF NOVA SCOTIA TRUST CO. OF NEW YORK

Fiscal Agents:
HARRIS & PARTNERS—Toronto

Listing:
The Common Shares of the Company are listed on The Toronto Stock Exchange (GN Capital)

Auditors:
CLARKSON, GORDON & CO.—Toronto

Head Office:
14th Flr., 123 EDWARD ST., TORONTO, ONTARIO

DIRECTORS

*A. L. Beattie, Q.C.
Osler, Hoskin & Harcourt,
Toronto

J. O. Boisi
Sr. Vice-President
Morgan Guaranty Trust Company
of New York,
New York, N.Y.

S. R. Horne
Investment Manager,
Anmercosa Finance Limited
Toronto

A. P. Murphy
Financial Consultant
Toronto

*R. H. McIsaac
President,
Great Northern Capital
Corporation Limited
Toronto

*G. F. H. Nelson
Vice-President - Investments,
United States Steel & Carnegie
Pension Fund
New York, N.Y.

*G. J. Risby
Vice President-Treasurer,
Anglo American Corporation
of Canada Limited
Toronto

J. D. Taylor, Q.C.
Fasken & Calvin,
Toronto

*R. M. Thomson
Chief General Manager,
The Toronto-Dominion Bank,
Toronto

*Member of Executive Committee

OFFICERS

Rod. H. McIsaac
President

Arthur V. Mauro, Q.C., LL.M.
Executive Vice-President

John C. Davies, C.A.
Vice-President Properties

J. Douglas Ritchie
Vice-President Realty Planning

Clair D. Smith, P.Eng.
Vice-President Engineering and Construction

A. Roy Voelker, C.A.
Vice-President Industrial Division

Donald E. Fox, C.A.
Secretary-Treasurer

Robert R. Stone, C.A.
Comptroller

PRESIDENT'S REPORT

To the Shareholders:

Consolidated net income of your company in 1969 was $2,106,932 as compared with $3,822,157 in 1968. Earnings per share based on weighted average shares outstanding in 1969 were .92. On the same basis, earnings in 1968 were $1.67 per share.

The reduced supply and increased cost of money had an impact generally on land development companies in Canada, but due to the excellent location of our residential properties in Ontario and Alberta, your company did not experience any decline in sale of single-family lots. The tight money situation did, however, affect the demand for apartment sites, leisure property sales, and commercial property developments.

The monetary and economic factors which became apparent during 1969 have continued into 1970 and we anticipate a slower rate of expansion at least in the first half of the current year.

On the industrial side, the slowdown in the latter half of 1969 was particularly noticeable and offset in part the major increase in profit experienced in the first six months.

Rapid inflation in the cost of labour and materials had a marked effect on industrial operations because of the difficulty in matching prices with costs over the short term. However, these operations made an important contribution to consolidated income of your company and over the long term will help to stabilize corporate earnings.

Considering the general downturn in the economy during the last half of 1969 and major reorganization in the company's operations, the results for 1969 are particularly gratifying. While the net income in 1969 declined by $1,716,000 from 1968, this was due almost entirely to an apartment site sale in the prior year coupled with items of non-recurring income.

You will note that while gross revenue from land sales remained approximately the same, the nature of the land sold was reflected in the gross profit margin by a reduction of $1,100,000 or from 70% in 1968 to 59% in 1969. The gross profit margin in manufacturing declined from 31% in 1968 to 26% in 1969.

Due to the higher profit margin in land sales as compared to manufacturing, there was a decline in the total gross profit margin relative to total sales. In 1968 gross profit represented 56% of total sales while in 1969 the figure was 37%.

The increase in selling and administrative expenses reflects consolidation of industrial acquisitions during 1969 and increased head office expenses due to the expanded operations of the company.

The past year was one of transition and reorganization of company operations. Perhaps the major change in corporate policy was the decision to expand and diversify our role into all aspects of land development. The additions to senior management have provided us with the personnel to undertake complete community design, planning and co-ordination, including commercial and industrial income properties. We intend to play an important role in this area in the future. Similarly, we will continue to look for opportunities for expansion in those areas that complement our land development operations such as additions to our existing building products group.

There was a further diversification with our entry into equipment leasing. Agreements concluded to date are for the purchase and lease of two jet aircraft and two computers. This new venture will be reflected in the consolidated profits for 1970. Besides the direct benefits from leasing this programme has made available the additional opportunity to take advantageous equity positions in growth industries.

The year 1969 has seen a major reorganization and expansion in corporate operations and I want to extend my personal thanks to the employees of Great Northern Capital and its subsidiary companies for their continued loyalty and support during this year of transition.

On behalf of the Board,

President

GREAT NORTHERN CAPITAL CORPORATION LIMITED
And Its Subsidiary Companies

STATISTICAL REVIEW

Five Year Summary (000's omitted)

	1969	1968	1967	1966	1965
INCOME					
Gross income from					
Land	**$ 9,043**	$ 9,034	$ 6,213	$ 9,217	$ 4,860
Manufacturing & other	**18,544**	5,108	3,798	3,538	3,132
Income before extraordinary items	**601**	2,054	440	1,240	(211)
Net income	**2,107**	3,822	958	2,511	(5,412)
YEAR END FINANCIAL POSITION					
Total assets	**48,790**	20,164	18,837	20,203	20,848
Total shareholders' equity	**11,249**	8,335	4,366	3,484	1,134
Working capital	**4,370**	5,663	1,125	411	1,984
Ratio current assets to current liabilities	**1.4 to 1**	2.4 to 1	1.2 to 1	1.0 to 1	1.3 to 1
Long term debt	**26,736**	7,160	7,846	8,290	9,741
Ratio of long term debt to shareholders' equity	**2.4 to 1**	1 to 1.2	1.8 to 1	2.4 to 1	8.6 to 1
AMOUNT PER SHARE					
Net income*	**0.92**	1.84	0.46	1.21	(2.88)
Total shareholders' equity**	**4.83**	4.01	2.10	1.67	0.60
Cash Flow from operations*	**1.44**	2.05	0.81		

*based on weighted average number of shares outstanding during the year

**based on shares outstanding at end of the year

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1969
(with comparative figures for the year ended December 31, 1968)

	1969	1968
Income:		
Land	**$ 9,043,108**	$ 9,034,054
Manufacturing and other	**18,543,661**	5,108,314
Share of joint venture net income	**51,352**	199,218
Interest and other	**1,021,488**	533,270
	28,659,609	14,874,856
Expenses:		
Cost of land sold	**3,752,571**	2,686,035
Manufacturing and other cost of sales	**13,704,533**	3,533,514
Selling and administrative	**7,506,479**	3,652,485
Interest—		
Long-term (including debt discount amortization)	**1,143,778**	505,541
Other	**212,309**	176,316
	26,319,670	10,553,891
	2,339,939	4,320,965
Income taxes	**1,733,800**	1,835,116
Minority interest	**5,415**	432,271
	1,739,215	2,267,387
Income for the year before extraordinary items	**600,724**	2,053,578
Add extraordinary items:		
Income tax credits resulting from the application of loss carry-forwards (note 12)	**1,506,208**	1,614,700
Other	**—**	153,879
	1,506,208	1,768,579
Net income for the year	**$ 2,106,932**	$ 3,822,157

Depreciation, depletion and amortization included above amounts to $737,955.

The accompanying notes are an integral part of the financial statements

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1969
(with comparative figures as at December 31, 1968)

ASSETS	1969	1968
Current:		
Cash and bank term deposits	**$ 398,348**	$ 2,030,194
Accounts and sale agreements receivable	**5,354,179**	5,044,869
Inventories:		
Land, including development costs of $3,420,026 in 1969 and $1,451,964 in 1968 (note 2)	**4,073,961**	2,096,004
Other, at the lower of cost or estimated net realizable value	**4,636,373**	418,073
Prepaid expenses	**212,739**	97,452
Total current assets	**14,675,600**	9,686,592
Land inventory, less amount included in current assets (note 2)	**7,457,668**	4,045,652
Notes, mortgages and sale agreements receivable, less amounts due within one year included in current assets (note 3)	**3,590,214**	1,377,216
Other investment (note 4)	**1,000,000**	—
Investment in joint ventures (note 5)	**1,272,390**	429,164
Income-producing properties, complete and in progress—at cost less accumulated depreciation of $53,670	**6,574,370**	—
Fixed assets—at cost (note 6)	**13,755,010**	4,128,196
Other assets—at cost	**464,840**	497,563
	$48,790,092	$20,164,383

The accompanying notes are an integral part of the financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	1969	1968
Current:		
Bank indebtedness—secured (note 7)	$ 1,785,623	$ 41,239
Accounts payable and accrued liabilities	3,310,053	1,116,557
Income taxes payable	286,044	1,290,210
Estimated costs to complete subdivisions under development	2,336,913	859,185
Current instalments on long-term debt, including accrued interest	2,587,077	716,851
Total current liabilities	10,305,710	4,024,042
Deferred income taxes	437,575	—
Long-term debt, less current instalments included in current liabilities (note 8)	17,059,261	7,159,960
5% convertible income debentures due 1979 (note 9)	9,677,100	—
Minority interest	61,433	645,018
Shareholders' equity:		
Capital stock—(note 10)		
Authorized:		
7,500,000 shares without par value		
Issued and fully paid:		
2,327,833 shares (2,079,630 in 1968)	3,210,894	1,684,233
Surplus (notes 8 and 9)	8,038,119	6,651,130
Total shareholders' equity	11,249,013	8,335,363
	$48,790,092	$20,164,383

On behalf of the Board:

G. F. H. Nelson *Director*

R. H. McIsaac *Director*

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1969
(with comparative figures for the year ended December 31, 1968)

EARNED SURPLUS	1969	1968
Balance at beginning of the year	**$ 6,511,578**	$ 2,515,875
Add:		
Net income for the year	**2,106,932**	3,822,157
Gain on conversion of subsidiary's debt into common shares	**85,471**	238,821
	8,703,981	6,576,853
Less:		
Write-off of excess of cost of investments in subsidiary companies over the underlying book value of their consolidated net assets at dates of acquisition	**804,885**	65,275
	804,885	65,275
Balance at end of the year	**7,899,096**	6,511,578
APPRAISAL SURPLUS (note 2)		
Balance at beginning of the year	**139,552**	170,704
Less:		
Amount earned on land sold during the year	**529**	31,152
Balance at end of the year	**139,023**	139,552
Total surplus	**$ 8,038,119**	$ 6,651,130

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENT OF WORKING CAPITAL AND SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1969
(with comparative figures for the year ended December 31, 1968)

		1969	1968
Balance of working capital at beginning of the year		$ 5,662,550	$1,125,327
Funds provided by:	Operations, excluding charges not requiring funds (depreciation, depletion, amortization and other of $1,184,936 in 1969 and $445,066 in 1968)	3,291,868	4,267,223
	Issue of 5% convertible income debentures	9,677,100	—
	Net increase (reduction) in other long-term debt	5,517,546	(286,683)
	Issue of shares for cash	39,186	5,000
		18,525,700	3,985,540
Funds used for:	Purchase of Rodell Corporation (1967) Limited less working capital at date of acquisition	997,391	—
	Net purchases of fixed assets	4,915,371	538,265
	Net increase (reduction) of notes and mortgages receivable	2,212,998	(1,896,981)
	Investment in income-producing properties	6,574,370	—
	Other investment (note 4)	1,000,000	—
	Increase in non-current portion of land inventory	3,412,016	578,614
	Net increase in investment in joint ventures	843,226	—
	Other—net	(137,012)	228,419
		19,818,360	(551,683)
Increase (decrease) in working capital		(1,292,660)	4,537,223
Balance of working capital at end of the year		$ 4,369,890	$5,662,550

The accompanying notes are an integral part of the financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1969

1. STATEMENT PRESENTATION

(a) In the accompanying financial statements the accounts of all subsidiary companies have been consolidated with those of the company.

Effective January 1, 1969 the company acquired all of the outstanding shares of the Rodell group of companies. The excess of the purchase price of these shares over the underlying book value of the net assets acquired has been attributed to fixed assets. The inclusion of Rodell's assets, liabilities, income, and expenses gives rise to major changes in the 1969 accounts.

(b) U.S. dollar amounts included in these financial statements are converted into Canadian dollars at the official rate of exchange ($0.925 U.S. equals $1.00 Canadian) which approximates the current rate of exchange at December 31, 1969.

2. LAND INVENTORY

Land is carried at cost except for certain land which is carried at 1953 appraised value. The amount of the appraisal write-up remaining in the accounts as at December 31, 1969 was $139,023 ($139,552 at December 31, 1968). Appraisal surplus earned on land sold during the year has been grouped in cost of sales.

Land inventory which is expected to be placed on the market within one year is classified as a current asset.

3. NOTES, MORTGAGES AND SALE AGREEMENTS RECEIVABLE

The company's investment in notes, mortgages and sale agreements receivable is recorded at cost except for:

(a) senior secured notes of Atlantic Acceptance Corporation Limited carried at an estimated realizable value of $875,000 which is 70% of their face value;

(b) certain promissory notes carried at a nominal value of $1.

During the year the company made mortgage loans of $301,445 to certain newly-appointed senior officers in order to assist them in purchasing houses. These loans were outstanding at the year end.

4. OTHER INVESTMENT

The company's investment in Transair Limited is not a temporary investment and consists of 200,000 common shares which had a quoted market value of $830,000 at December 31, 1969. The latter amount does not necessarily represent the value of this holding which may be more or less than the amount indicated by the market quotation.

5. JOINT VENTURES

Joint ventures consist of the following:

(a) the company's 55% investment in a residential land development project in Saskatoon carried at cost, plus the company's share of income less losses since acquisition;

(b) a 75% interest in a commercial-apartment project under construction in Winnipeg carried at cost. The company is committed to estimated expenditures of a further $2,500,000 on this project for which it plans to obtain mortgage financing.

6. FIXED ASSETS

Fixed assets, at cost, consist of the following:

	1969	1968
Land and land improvements	**$ 853,853**	$ 259,859
Buildings	**4,127,712**	1,515,961
Machinery and equipment	**10,443,565**	3,172,960
Country Club and golf course facilities	**1,294,496**	1,258,039
Clay deposit and peat moss bog	**311,516**	311,516
Deposit on aircraft (note 13)	**2,412,422**	—
	19,443,564	6,518,335
Less accumulated depreciation, depletion and amortization	**5,688,554**	2,390,139
	$13,755,010	$4,128,196

7. BANK INDEBTEDNESS

Assets having a book value in excess of the bank indebtedness have been pledged as collateral against this liability.

8. LONG-TERM DEBT

Long-term debt consists of the following:

		1969	1968
Great Northern Capital Corporation Limited—			
5½% notes due 1976 (U.S. $3,300,000)		**$ 3,567,564**	3,783,780
7% first mortgage due 1970 to 1990		**3,803,108**	—
Other		**603,440**	123,276
		7,974,112	3,907,056
Subsidiary Companies—			
5¾% to 7½% Provincial development loans		**5,418,814**	—
6% first mortgage bonds due $100,000 on March 31 of each year 1970 to 1971		**200,000**	300,000
7% subordinated convertible debentures			
Series A due June 30, 1973	3,556,500		
Less inter-company holdings	2,818,100	**738,400**	1,022,300
Mortgages			
6% due 1970 to 1978		**1,203,498**	1,186,787
7% due 1970 to 1979		**872,019**	510,595
7½% due 1970 to 1976		**391,577**	17,628
8% due 1970 to 1979		**1,040,803**	376,169
9⅜% due 1970 to 2005		**516,183**	—
Other		**851,633**	499,771
		11,232,927	3,913,250
Total long-term debt		**19,207,039**	7,820,306
Less current instalments included in current liabilities		**2,147,778**	660,346
		$17,059,261	$7,159,960

Amounts due on repayment of long-term debt in each of the next five years are as follows:

1970	$2,148,000
1971	$2,223,000
1972	$1,395,000
1973	$2,141,000
1974	$1,542,000

Pursuant to the terms of the agreement in connection with the issuance of the 5½% notes due December 1, 1976, the company may not make any distribution to the shareholders by way of dividends or otherwise in cash or other assets except to the extent that any such distribution shall be represented by consolidated net earnings accrued since December 1, 1957. The company is required to apply to the prepayment of the notes, without premium, the sum of U.S. $200,000 on December 1, 1970, U.S. $500,000 on December 1 in each year 1971 to 1975 and U.S. $600,000 on December 1, 1976. The company may prepay the 5½% notes at any time upon payment of a premium of 2% to November 30, 1970, decreasing ¼% annually to November 30, 1976 and without premium thereafter.

The 7% subordinated convertible debentures Series A of a subsidiary company have been issued under a trust indenture and are convertible at the option of the holder into shares in the capital stock of the company at $6.00 per share prior to redemption or maturity (note 10(b)). These debentures are redeemable at the option of the subsidiary in whole or in part at 102% of the principal amount up to and including June 30, 1970 and at decreasing premiums thereafter prior to maturity plus accrued interest to the date of redemption.

9. 5% CONVERTIBLE INCOME DEBENTURES

During the year the company issued $2,450,000 Series A and $7,227,100 Series B convertible income debentures. The debentures were issued under a trust deed which contains as part of its provisions the following:

(a) Interest accrues from May 15 and June 6 on the Series A and Series B debentures respectively at a rate of 5% and is payable on May 15 in each year commencing in 1970 only if and to the extent that the profits of the company for the period from January 1, 1969 up to and including the December 31 immediately preceding the next succeeding May 15 interest payment date in the aggregate exceed the total amount, if any, previously paid by the company by way of interest on the debentures.

(b) The trust deed restricts any distribution to shareholders by way of dividends or otherwise in cash or other assets except to the extent that consolidated net profits are available for restricted payments. The company also covenants not to issue any shares of any class or to change or reclassify any common shares into shares preferred as to dividends or as to distribution of assets.

(c) The debentures are convertible into common shares of the company after May 15, 1971 at the following prices; $10.00 per share up to May 30, 1972; $12.50 per share up to May 30, 1973; $14.28 per share up to May 30, 1974; $16.66 per share up to May 30, 1975 and $20.00 per share up to May 15, 1979.

(d) The debentures are redeemable at par at the option of the company in whole or in part on or after May 15, 1971 and before maturity.

10. CAPITAL STOCK

The company obtained Supplementary Letters Patent dated January 13, 1969 increasing the authorized capital from 2,500,000 shares to 7,500,000 shares

Capital stock issued during the year consists of the following:

	NUMBER OF SHARES	TOTAL CONSIDERATION
Shares issued for a consideration of $6.16 each in exchange for shares of a subsidiary company (see (a) below)	199,031	$1,226,031
Shares issued at $6.00 each on conversion of $261,500 debentures of a subsidiary company (see (b) below)	43,574	261,444
Shares issued for cash at $7.00 each on exercise of share purchase warrants of a subsidiary company (see (b) below)	5,598	39,186
	248,203	$1,526,661

(a) The company made an offer to all shareholders of Western Heritage Properties Limited, other than U.S. shareholders, for all of the outstanding shares of Western Heritage not then owned by the company on the basis of one common share of the company for each two common shares of Western Heritage.

(b) During the year the company entered into supplemental indentures with the holders of 7% subordinated convertible debentures Series A due June 30, 1973 and share purchase warrants of Western Heritage. The supplemental indentures provide that the company guarantee the performance of all Western Heritage's obligations under the original indentures and that the conversion privileges and rights of purchase provided for under the indentures shall be exercisable in shares of the company up to June 30, 1973 on the basis of (i) one share of the company for every $6.00 principal amount of debentures; (ii) one share of the company for every two share purchase warrants plus $7.00.

The company has set aside 1,816,805 common shares for the following purposes:

Exchange for common shares of Western Heritage Properties Limited (see (a) above)	7,068
Conversion of 7% subordinated convertible debentures Series A of Western Heritage Properties Limited (see (b) above) (Includes 469,683 shares set aside for the $2,818,100 of debentures held by a subsidiary)	592,750
Exercise of share purchase warrants of Western Heritage Properties Limited (see (b) above)	129,277
Conversion of 5% convertible income debentures of the company (note 9)	967,710
Proposed stock option plan	120,000
	1,816,805

11. CONTINGENT LIABILITIES

As at December 31, 1969 subsidiary companies are contingently liable for sale agreements discounted and conditional sale contracts in the approximate amount of $2,365,000 and mortgage loans in the approximate amount of $372,500.

12. INCOME TAXES

The loss carry-forward tax credits shown on the accompanying statement of consolidated income become available as a result of the application of tax losses of certain subsidiaries principally Home Smith Developments Limited. It is expected that through utilization of these loss carry-forwards, no substantial amount of income tax will be payable for the year 1970.

13. COMMITMENTS

The company has agreed to purchase two Boeing 737 - 249C jet aircraft along with certain support equipment. The company's outstanding obligation is approximately $9,300,000 for which financing has been arranged. The company has completed negotiations for the leasing of the two aircraft to Transair Limited.

The company is also committed for $2,500,000 on a project under construction (note 5(b)).

14. GENERAL

(a) The total remuneration paid or payable by the company and its subsidiaries to its directors and officers (defined by the Ontario Corporations Act to include the five highest paid employees) with respect to the year ended December 31, 1969 amounted to $227,974.

(b) Under an agreement with McIsaac Investments Limited regarding the purchase of all the outstanding shares of Rodell Corporation (1967) Limited, there is provision for payment of an additional purchase price over the original purchase price based on the capitalization of a weighted average of the consolidated earnings of Rodell for the years 1969, 1970 and 1971. Any additional purchase price so calculated will be satisfied by the issue of shares of the company at the then current market price.

AUDITORS' REPORT

To the Shareholders of Great Northern Capital Corporation Limited:

We have examined the consolidated balance sheet of Great Northern Capital Corporation Limited and its subsidiary companies as at December 31, 1969 and the consolidated statements of income, surplus, and working capital and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 26, 1970.

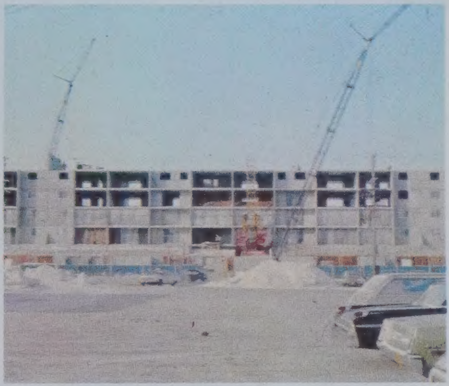
CLARKSON, GORDON & CO.
Chartered Accountants

Sherwood Estates, a 54-unit townhouse project in Markham, was ready for first occupants in October. It is now fully rented. The project is the first reflecting your company's new policy of retaining multi-family lots where feasible for high-rises and townhouse units.

Installation of a third kiln in 1969 raises your brick plant in Burlington to the third largest in Canada. The fully-automated 300-foot tunnel kiln increases plant capacity by 50 per cent to 55 million bricks a year and meets the need to fill increasing orders.

Two Boeing 737 Twin Jets have been purchased and will be leased to Transair in Spring 1970. The 737s, with a seating capacity of 115 and speed of 550 m.p.h., will be used on charter flights and scheduled flights for which Transair has applied to the Canadian Transportation Commission.

One of the first multi-storey buildings constructed using the systems approach is the 15-storey Towers of Polo Park, Winnipeg, which is scheduled for completion by October, 1970. Framing has been completed to the sixth floor. All components are completely pre-cast on site and the modular sections then hoisted into place.

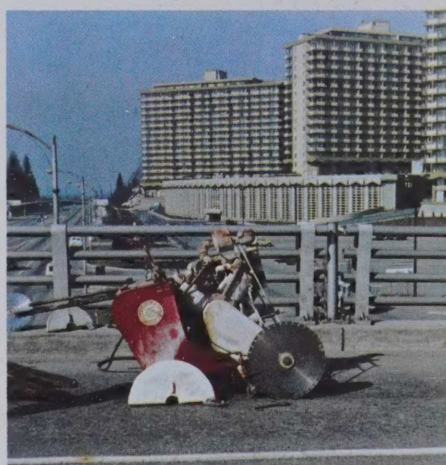


One of almost 700 "second" homes in Hemlock Farms, Pa., is that of Mr. Clare Conley, Editor of Field & Stream. Your company's seven years of experience with Hemlock Farms, a prime example of total community planning, will be available in developing resort communities purchased in Pennsylvania and New York State in 1969.

Delro Industries participate in aerospace, too. Nose cones of Bristol's Black Brant rockets carry Delro "rings" on their journeys into space. This Black Brant III carries an 88 pound payload to an altitude of 114 miles.

Exploratory drilling by Midwest Drilling Co. 15 years ago led to the town of Thompson, Manitoba, and production of 25 per cent of the world's nickel requirements by International Nickel Co. here. In 1969, Midwest drilled core which resulted in Gulf Mineral's uranium boom at Wollaston Lake, Saskatchewan.

Delro Industries' diamond bits aid in the search for minerals and are used in the masonry drilling industry. The bits are hardened into position after being placed in a furnace which is fired at 195 deg. F.



Approaches to a Vancouver shopping centre were changed by Canadian Cutting and Coring by removing part of the overpass. Sections were carried away after your franchised company sawed through 12-inch reinforced concrete slabs.

DIVISIONS

Creative Properties
c/o Hemlock Farms

Delro Industries
1072 King Edward Street,
Winnipeg 21, Manitoba

Diamond Clay Brick Products
No. 5 Highway,
Burlington, Ontario

Hemlock Farms
Lords Valley,
Hawley, Penn., U.S.A.

Lake in the Clouds
c/o Hemlock Farms

Midwest Diesel & Equipment
1100 King Edward Street,
Winnipeg 21, Manitoba

Midwest Drilling Company
860 King Edward Street,
Winnipeg 21, Manitoba

Toronto Professional Bldg.
123 Edward Street,
Toronto 101, Ontario

WHOLLY-OWNED SUBSIDIARIES

Canadian Cutting & Coring Limited
119 Skyway Avenue,
Rexdale, Ontario

Columbia Forest Products Ltd.
866 King Edward Street,
Winnipeg, Manitoba

Empire Clay Products Inc.
Route 240, West Falls, N.Y.

Home Smith Developments Limited
35 Old Mill Road,
Toronto, Ontario

Humbria Limited
35 Old Mill Road,
Toronto, Ontario

Rodell Corporation (1967) Limited
866 King Edward Street,
Winnipeg 21, Manitoba

Sherwood Properties Co. Ltd.
2000 Oak Street,
Sherwood Park, Alberta

The Old Mill Limited
35 Old Mill Road,
Toronto, Ontario

Wescore Drilling Limited
860 King Edward Street,
Winnipeg 21, Manitoba

Western Heritage Properties
(Ontario) Limited
35 Old Mill Road,
Toronto, Ontario

Winco Developments Limited
35 Old Mill Road,
Toronto, Ontario

PARTIALLY-OWNED SUBSIDIARIES

Canadian Cutting & Coring
(Toronto) Limited—77%
119 Skyway Avenue,
Rexdale, Ontario

Canadian Cutting & Coring
(Vancouver) Limited—60%
1120 East Georgia Street,
Vancouver 131, B.C.

Canarama Western Limited—97%
2000 Oak Street,
Sherwood Park, Alberta

Western Heritage Properties
Limited—99%
35 Old Mill Road,
Toronto, Ontario

JOINT VENTURES & PARTNERSHIPS

River Heights—55%
Saskatoon, Saskatchewan

Towers of Polo Park—75%
Winnipeg, Manitoba

GNC